

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**HB 311 - SB 1336**

February 20, 2023

**SUMMARY OF BILL:** Adds a new category of diversity business enterprises for veteran-owned businesses. Requires the Procurement Commission to strive to ensure five percent of contracts awarded to diversity businesses are awarded to veteran-owned businesses.

**FISCAL IMPACT:**

**Increase State Expenditures – \$6,000/FY23-24**

**Other Fiscal Impact – To the extent that five percent of contracts awarded to diversity business enterprises are awarded to veteran-owned businesses through non-competitive negotiations, the proposed legislation could increase state expenditures. The extent and timing of such increase cannot be quantified..**

Assumptions:

- Tennessee Code Annotated § 12-3-1101 et seq. establishes the *Tennessee Minority-Owned, Woman-Owned, Service-Disabled Veteran-Owned, Business Owned by Persons with Disabilities, and Small Business Procurement and Contracting Act*.
- The proposed legislation adds “Veteran-Owned” to the list of businesses.
- The Governor’s Office of Diversity Business Enterprise (Go-DBE) must annually recommend to the Procurement Commission the fair proportion of state contracts that should be awarded to these diversity businesses.
- Go-DBE uses B2GNOW software to certify diversity businesses. The software also tracks spending, identifies areas of need, and helps manage the diversity business enterprises program.
- Go-DBE will need to purchase a new software module from B2G to certify and track veteran-owned businesses. The one-time cost to purchase the module is \$5,950.
- The proposed legislation requires the Procurement Commission to strive to award at least five percent of all contracts awarded to diversity business enterprises to veteran-owned businesses. These contracts are known as “set aside” contracts.
- Over the last three fiscal years, Go-DBE awarded an average of \$852,376,409 in contracts to diversity business enterprises and awarded an average of \$20,601,217 to service-disabled veteran-owned business enterprises, which fall under the proposed definition of veteran-owned business in the proposed legislation. Under the proposed legislation, approximately \$42,618,820 ( $\$852,376,409 \times 5.0\%$ ) could be awarded to veteran-owned businesses.

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- To the extent that at least five percent of these contracts are awarded to veteran-owned businesses, the proposed legislation could result in an additional \$22,017,604 (\$42,618,820 set aside contracts - \$20,601,217 contracts already awarded veteran owned businesses) of noncompetitive “set aside” contracts being awarded.
- Set aside contracts reduce competition as they lower the pool of applicants. Competitive procurement ensures the purchaser (i.e., the State) receives the best price and terms. The proposed legislation will decrease competition among businesses for these contracts. The proposed legislation may increase state expenditures relative to these contracts.
- It is unknown the current number of contracts awarded to veteran-owned businesses through a competitive process versus awarded through non-competitive negotiations. Should the proposed legislation result in less competitively procured contracts, there will be an increase in state expenditures. The extent and timing of any increase cannot be determined.
- The Act also requires the Office of Small Business Advocate within the Comptroller of the Treasury to be trained on diversity businesses. The Office of Small Business Advocate currently receives training from Go-DBE on women-owned businesses with no impact to the Comptroller. The proposed legislation will not significantly impact the Comptroller.

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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